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United States Senate

COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP

WASHINGTON, DC 20510-6350

October 19, 2005

VIA FACSIMILE ORIGINAL BY U.S. MAIL

The Honorable Hector V. Barreto
Administrator
U.S. Small Business Administration
409 Third Street, S.W.
Washington, DC 20416

Dear Hector:

As the Chair of the Senate Committee on Small Business and Entrepreneurship, I strongly urge you to expand and intensify your efforts to hire additional personnel to facilitate the rebuilding of the Gulf Coast region after the destruction caused by Hurricane Katrina and Hurricane Rita. The Small Business Administration's disaster loan program provides vital assistance to individuals and businesses affected by these disasters. As I have already mentioned to you, I am determined to assist your efforts in any way possible. I have growing concerns about certain weaknesses of the SBA's disaster loan program, and I write today regarding the level of SBA personnel available to process and verify applications.

I understand that thus far 130,251 hurricane disaster loan applications have been received by the SBA. Of those applications, 46,281 were submitted just in the last week, and 70,469 were submitted in the last two weeks. Clearly, additional personnel are warranted to respond to this great demand for assistance. The SBA has so far approved 1,916 disaster loans for victims of Hurricanes Katrina and Rita; 1,048 of those approvals were made in the first six weeks after Hurricane Katrina hit the Gulf Coast, and the remaining 868 were made in the last week alone.

The businesses and homeowners victimized by Hurricanes Katrina and Rita must have their disaster loan applications processed as quickly as possible so they can begin rebuilding their lives and enterprises. Factors that impede loan approvals must be addressed and eliminated as they arise. If the SBA needs any assistance in addressing these matters, I am committed to providing the maximum assistance possible. Toward that end, this week I sent Committee staff to the Gulf region to examine the SBA's disaster loan processing facilities to determine the nature and extent of the reported delays in loan approvals.

Based upon the staff's determinations, the SBA needs additional personnel at the Fort Worth Processing Center to input information, scan disaster applications, and process home and business loans. The SBA has already hired additional employees in response to the two hurricanes, and continues to seek more workers. The SBA has admitted, however, that it needs an additional 1,000 employees to meet demand in the Fort Worth processing center.

In addition, the SBA has a critical need for at least 200 more “field” employees. This includes additional contractors or employees to act as loss verifiers to visit disaster sites, assess damage, and verify losses for the purposes of preparing loan disbursements. The SBA should make every effort to work with national and local home building and contractor trade groups to find qualified personnel to fill its requirements. The Committee’s staff has contacted several groups that have indicated interest in assisting with this crucial endeavor, and the staff could provide you with this information if you do not already have it.

I believe that the SBA must expand the methods by which it seeks staff to respond to these disasters. Several possible means to achieve this would be to hire loss verifiers on a contract basis or, if necessary, to contract the function to a competent outside firm on a short-term basis to meet demand. I urge you to seek alternative methods to speed this process.

In addition, the SBA has multiple Disaster Assistance centers at various locations around the country, including Atlanta, Buffalo, and Sacramento. Is the SBA using each one of these to facilitate a more efficient response to the hurricanes? Could SBA staff be transferred from SBA offices in Washington, D.C., or other locations in order to increase the productivity in the Fort Worth center and throughout the Gulf Coast region?

I understand that it has been the SBA’s intention, since the initial implementation of the new Disaster Credit Management System (DCMS) in December 2004, to create a fully automated process so applications can be submitted electronically and over the internet. Based on what I have been told, however, the SBA does not expect to have that full capability until September 2006. Until that capability is realized, SBA employees must manually input the information from each application into the SBA’s computer system.

The SBA loan processing center employees in Fort Worth are working 24 hours a day to input applications, averaging approximately 4,500 per day. However, because of the unprecedented number of applications – as many as 13,000 submitted in one day – completed applications must wait several days before being input into the computers.

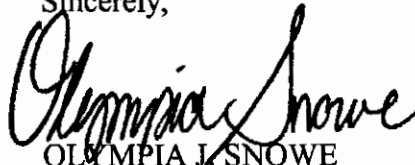
As you know, I previously asked the Internal Revenue Service to locate personnel alongside SBA staff in the Gulf region and in the Fort Worth processing center so that tax documents required for loan approval are immediately accessible. The Committee’s staff has subsequently informed the IRS that it is imperative for their agents to provide all documentation to the SBA by electronic means, which will greatly reduce the time necessary to process loans.

As businesses attempt to rebuild from the disasters, the SBA must also strengthen its procurement assistance staff. The Agency’s past budgeting decisions left the Gulf Coast states with just three Procurement Center Representatives (two in Alabama, one in Louisiana, and none in Mississippi) and just one Commercial Market Representative (who is also a PCR in Louisiana) to help small businesses with prime contracting and subcontracting opportunities. These unequal and minuscule staffing levels are unacceptable. As the Federal dollars flow to the Gulf Coast for rebuilding, the placement of additional PCRs and CMRs in each affected state would be imperative to identify government contracting opportunities for local small businesses. The SBA

also needs to leverage the expertise of the Procurement Technical Assistance Centers and to provide more business assistance to provide small businesses with the information and guidance to open and grow their business.

Please provide a response to this letter, including your plans to respond to these challenges and your responses to my questions, by October 26th, 2005. If you have any questions or need any additional information, please do not hesitate to call me or have your staff contact Wes Coulam, Staff Director of the Small Business Committee, at (202) 224-5175.

Sincerely,



OLYMPIA J. SNOWE
Chair